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FOLL REPEAT OECD PARIS 32509 ACTION SECSTATE 20 DEC QUOTE

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SUBJECT : INSURANCE COMMITTEE MEETING, DECEMBER 18-19, 1973

REF :

(A) AS/A (73)2 AGENDA

(B) DAF/AS/73.22

(C) AS(73)1

(D) DAF/AS/73.23

(E) DAF/AS/73.11

(F) DAF/AS/72.125

1. SUMMARY. AT MEETING JAN 18-19, 1973, COMMITTEE ACCEPTED U.K. PROPOSAL FOR FURTHER WORK ON OIL POLLUTION LIABILITY CONVENTION, ACCEPTED PROPOSED DRAFT DECISION ON COOPERATION AMONG SUPERVISORY AUTHORITIES, AND AGREED TO ASK COMMITTEE ON FISCAL AFFAIRS TO REVIEW DOUBLE TAXATION ASPECT OF INSURANCE CONTRACTS. EC COUNTRIES UNABLE TO ACCEPT DRAFT DECISION ON SOLVENCY PENDING FURTHER CLARIFICATION AND IMPLEMENTATION OF EC INSURANCE DIRECTIVE. FAILURE TO ACCEPT THIS ITEM PREVENTED ANY FURTHER PROGRESS ON RELATED DRAFT COUNCIL DECISIONS IN AGENDA ITEMS 5 THROUGH 8, SINCE ALL DEPENDENT UPON QUESTION OF SOLVENCY. INDUSTRY ADVISER AND MISSION UNCLASSIFIED

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FEEL LACK OF PROGRESS PARTIALLY DUE TO INABILITY OF PRESENT

CHAIRMAN TO LEAD COMMITTEE IN POSITIVE MANNER. SECRETARIAT STRONGLY OF OPINION THAT ACTIVITIES OF INSURANCE COMMITTEE AND ITS WORKING PARTIES SHOULD BE CUT BACK DRASTICALLY DURING 1974 PENDING FURTHER CLARIFICATION EC WORK ON INSURANCE. STATUS REPORT ALONG THESE LINES WILL BE MADE TO COUNCIL. ACTION REQUESTED. MISSION REQUESTS INSUTRCTIONS ON U.S. PARTICIPATION IN PROPOSED WORKING GROUP ON OIL POLLUTION LIABILITY CONVENTION. ALSO SEE PARA 10. END SUMMARY.

2. COMMITTEE NOTED REPORT OF INVISIBLES COMMITTEE WHICH INDICATED FURTHER REVIEW OF MEMBER COUNTRY RESERVATIONS TO INSURANCE ITEMS IN CODE WOULD BE SUSPENDED UNTIL ADDITIONAL PROGRESS HAD BEEN MADE IN EC.

3. AFTER INCONCLUSIVE DISCUSSION OF AGENDA ITEM 3, SECRETARIAT ASKED EC COUNTRIES TO INDICATE WHETHER OR NOT THEY COULD ACCEPT DRAFT DECISION OF COUNCIL CONCERNING MINIMUM LEVEL OF SOLVENCY FOR CONCERNS UNDERTAKING NON-LIFE INSURANCE (PAGE 3 REF ?). EC COUNTRIES INDICATED UNABLE AT PRESENT TIME TO ACCEPT DECISION IF BROUGHT BEFORE OECD COUNCIL. WHILE MANY INDICATED VARIETY OF PROCEDURAL REASONS, NONE INDICATED ANY SPECIFIC SUBSTANTIVE PROBLEM WITH OECD COUNCIL DECISION. SEVERAL ASKED THAT FURTHER STUDY BE MADE OF OECD DECISION TO SEE THAT IT WAS COMPATIBLE WITH EC DIRECTIVE. WHEN ASKED IF EC WORK WOULD BE COMPLETED IN TIME FOR POSSIBLE DECISION BY INSURANCE COMMITTEE IF IT MET IN MAY , 1974, EC MEMBERS AND EC COMMISSION UNABLE TO GIVE AFFIRMATIVE RESPONSE. SOME EC MEMBERS NOTED THAT ALTHOUGH THEY HAD ALREADY ACCEPTED PRELIMINARY DRAFT DECISION IN NOV 1970, ACCEPTANCE AT THAT TIME HAD BEEN IN PRINCIPLE ONLY. EXISTENCE OF EC DIRECTIVE ITSELF WITH ITS PRECISE REQUIREMENTS, ESPECIALLY IN CHAPTER 3 IN ARTICLE 29, NOW MADE IT NECESSARY TO MOVE MORE CAREFULLY TO ASSURE THAT OECD COMMITMENTS TAKEN BY EC MEMBERS WOULD NOT CONFLICT WITH THOSE IN EC DIRECTIVE. IN RESPONSE TO SECRETARIAT'S RECOMMENDATION, COMMITTEE AGREED THAT FURTHER WORK THIS QUESTION IN OECD SHOULD BE HELD UP PENDING RECEIPT OF ADDITIONAL INFORMATION FROM EC COMMISSION AS TO ACCEPTABILITY OF OECD INSURANCE DECISION IN LIGHT OF EC DIRECTIVES. EC WILL INFORM CHAIRMAN AND OECD SECRETARIAT WHEN PROBLEMS UNDER ARTICLE 29 HAVE BEEN RESOLVED, AT WHICH TIME SECRETARIAT AND CHAIRMAN WILL DECIDE IF MATTERS SHOULD GO TO AN INSURANCE COMMITTEE WORKING PARTY OR DIRECTLY TO PLENARY COMMITTEE.

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4. SECRETARIAT ATTEMPTED TO MOVE FORWARD ON OTHER ISSUES IN REF B BY ASKING WHETHER OR NOT COUNTRIES WOULD HAVE ANY SUBSTANTIVE CHANGES TO PROPOSE ASSUMING THAT DECISION ON SOLVENCY COULD BE ACCEPTED. ONLY AUSTRIA, SWITZERLAND AND SWEDEN INDICATED ACCEPTANCE OF REMAINDER OF DECISIONS WITHOUT FURTHER SUBSTANTIVE CHANGE. U.S. INDICATED IT WOULD NOT OBJECT TO DECISIONS IN COUNCIL. ALL EC COUNTRIES INDICATED THEY WERE UNABLE EVEN TO RESPOND TO THIS HYPOTHET

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CAL QUESTION PENDING FURTHER CLARIFICATION OF EC INSURANCE REQUIREMENTS.

5. INSURANCE COMMITTEE APPROVED DRAFT DECISION ON COOPERATION AMONG SUPERVISORY AUTHORITIES (REF C) WITH MINOR CHANGES.

6. U.K. MEMBER RAISED QUESTION OF INTERNATIONAL CONVENTION ON CIVIL LIABILITY (REF D). SUFFICIENT NUMBER OF COUNTRIES INDICATED INTEREST SO THAT WORKING PARTY ON THIRD COUNTRY LIABILITY WILL BE ESTABLISHED TO INVESTIGATE MATTER FURTHER. --ACTION REQUESTED.-- MISSION REQUESTS INSTRUCTIONS ON MANNER AND EXTENT TO WHICH U.S. DESIRES TO PARTICIPATE IN AN INSURANCE COMMITTEE WORKING PARTY ON THIS QUESTION, AND ALSO WHETHER U.S. COULD AGREE TO POSSIBLE CONVENTION.

7. EC COMMISSION INDICATED IT IS DRAWING UP NEW TEXT ON LIBERALIZATION OF INTERNATIONAL CO-INSURANCE TO BE CONSIDERED AT EC MEETING IN FIRST QUARTER 1974. NO DETAILS WERE PROVIDED TO COMMITTEE. SECRETARIAT ATTEMPT TO OBTAIN ANSWERS TO PARA 19 REF E WAS SIDETRACKED BY CHAIRMAN. SWISS DEL INDICATED HIS GOVERNMENT COULD NOT AT PRESENT ACCEPT OR IMPLEMENT PROPOSALS REF E, BUT THAT IT DID NOT WISH TO PREVENT FURTHER WORK TOWARD SOLUTION. HOWEVER, SWISS FELT THAT PRESENTATION OF PAPER TO COUNCIL WAS PREMATURE AT THIS TIME PENDING COMPLETION OF EC'S WORK IN AREA. COMMITTEE DECIDED ACCEPTANCE OF REF E WAS NOT A PREREQUISITE TO ACCEPTANCE OF REF F IF THIS SHOULD SUBSEQUENTLY BE ACCEPTED.

8. DURING PROTRACTED DISCUSSION OF REF F, EC REP AGAIN POINTED OUT BRUSSELS DISCUSSIONS PRESENTLY UNDERWAY AND EC COUNTRIES COULD NOT GO FURTHER. NETHERLANDS DISAGREED SINCE NO EC DIRECTIVE ON MATTER EXISTS AND THEREFORE EC COUNTRIES NOT YET BOUND. AUSTRIA UNCLASSIFIED

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VENTED STRONG OBJECTION TO FACT THAT OECD CONTINUALLY FOUND IT NECESSARY TO AWAIT EC DETERMINATION ON EACH SUBJECT IN INSURANCE MATTERS. U.S. ASKED WHETHER MAJORITY CONSENSUS WISHED TO FORWARD DRAFT DECISION OR RECOMMENDATION TO COUNCIL. SECRETARIAT AGREED, MAKING STRONG STATEMENT THAT COMMITTEE'S MANDATE WAS TO CONTINUE PROVIDE COUNCIL WITH ADVICE AND PROPOSALS ON LIBERALIZATION OF INSURANCE, EVEN MINORITY OPINIONS IF NEED BE. CHAIR STATED IT DID NOT INTEND TO PUT EITHER REF E OR REF F TO VOTE AS HE CONSIDERED IT PREMATURE, ALTHOUGH COMMITTEE HAD VOTED ALMOST UNANIMOUSLY (ONLY SWITZERLAND OPPOSED) THAT IT DID NOT CONSIDER REF E PREREQUISITE FOR REF F. THROUGHOUT THIS ITEM, AHRIMAN AT MANY TIMES CONFUSED ISSUE; HE FELT NO LIBERALIZATION NOW POSSIBLE UNTIL EC HAD DIGESTED ITS DIRECTIVE AND PERHAPS UP TO 30 MONTHS HAD BEEN ALLOWED FOR IMPLEMENTATION. CHAIR ASKED SECRETARIAT ITSELF TO MAKE INTERIM STATUS REPORT TO

COUNCIL WITHOUT REFERENCE TO COMMITTEE. WHEN SECRETARIAT OBJECTED THAT IT COULD NOT DO SO WITHOUT AT LEAST OBTAINING CHAIRMAN'S APPROVAL OF REPORT, CHAIR (WITH COMMITTEE'S URGING) AGREED TO THAT PROCEDURE.

9. INSURANCE COMMITTEE, LED BY CHAIRMAN AND SUPPORTED BY EC COMMISSION
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REP, STATED THAT INSURANCE COMMITTEE IS IN DIFFICULT PERIOD AND FELT REASON FOR SLOW ADVANCE WAS THAT IT HANDLED MOST DIFFICULT OF ALL COMMITTEE AREAS IN OECD. THEREFORE, SHOULD NOT BE EXPECTED TO PROGRESS RAPIDLY. EC COMMISSION REP NOTED THAT REASON EC MEMBERS MUST BE ESPECIALLY CAUTIOUS IN INSURANCE MATTERS, AND MUST SPEAK WITH ONE VOICE, IS THAT INSURANCE IS NOW PILOT OR TEST AREA FOR EC COOPERATION.

10. MISSION AND INDUSTRY ADVISER STRONGLY OF OPINION THAT INSURANCE COMMITTEE WILL BE UNABLE TO MAKE FURTHER HEADWAY IN NEAR FUTURE DUE TO DUAL BURDEN OF INEFFICIENT CHAIRMAN AND GO-SLOW ATTITUDE OF EC MEMBERS. WE WILL SUPPORT IDEA THAT COMMITTEE'S ACTIVITY BE DRASTICALLY REDUCED PENDING FURTHER CLARIFICATION OF EC INSURANCE MATTERS UNLESS OTHERWISE INSTRUCTED. ROGERS
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